



# Illinois Guaranteed News April/May 2006

GROW YOUR BUSINESS WITH 100% GUARANTEED FINANCING!

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**2006 INCOME LIMITS & FUNDING UPDATE**

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The release date for Rural Development's 2006 income limits will be April 26th!

To access the new limits:

- Log on: [www.rurdev.usda.gov/il/grh.htm](http://www.rurdev.usda.gov/il/grh.htm)
- On the left menu click on "Income limits/Property Eligibility"
- On the left menu under "Income Eligibility" click on "Guaranteed"
- Click on "Illinois"
- A pdf will appear for all counties in Illinois
- Pay special attention to the MSA areas, some new counties were included  
For example: Ford county is now part of the Champaign MSA.
- Print and keep for easy reference

Great news for funding! The National Office is projecting that Guaranteed funds will be available throughout fiscal year 2006. REMEMBER: EVEN IF FUNDING IS EXHAUSTED RD WILL STILL ISSUE A CONDITIONAL COMMITMENT SUBJECT TO RECEIVING 2007 FUNDS. Most secondary market lenders welcome this type of commitment.

**GUARANTEED FUNDS ARE ALWAYS AVAILABLE!**



**Rates are UP! Construction costs are UP!**

**Is the price of a home my clients can afford down?**

**Not Necessarily!**

100% Guaranteed financing offers your clients more flexibility in financing:

- No downpayment is required
- ALL downpayment assistance programs, gift / grant funds accepted
- No expensive monthly mortgage insurance
- 30 year fixed interest rates
- NOT just for first time buyers
- Flexible credit and qualifying guidelines
- 2-1-0 buydowns are allowed

2-1-0 what? If you do not know what a temporary 2-1-0 buydown is — keep reading! This very easy, affordable, and creative financing option will help you make more loans or sell more houses today!

**BUILD YOUR BUSINESS UP WITH BUYDOWNS!**

## 2-1-0 BUYDOWNS IN ACTION!



## SEE HOW THEY WORK!

### \$35,000 Income

Maximum purchase price comparison

7%: \$95,500

2-1-0 Buydown: \$118,300

**OVER \$20,000 ADDITIONAL BUYING POWER!**

Assuming the buyer purchases the full \$118,300 + 2% fee + \$197/mo. taxes + \$30/mo. home insurance:

**1st year payment at 5%: \$875**

**2nd year payment at 6%: \$950**

**3rd year payment at 7%: \$1,030**

*Over 3 years payments only increase \$155*

### \$50,000 Income

Maximum purchase price comparison

7%: \$136,200

2-1-0 Buydown: \$168,800

**Over \$30,000 ADDITIONAL BUYING POWER!**

Assuming the buyer purchases the full \$168,800 + 2% fee + \$281/mo. taxes + \$42/mo. home insurance:

**1st year payment at 5%: \$1,247**

**2nd year payment at 6%: \$1,355**

**3rd year payment at 7%: \$1,468**

*Over 3 years payments only increase \$221*

### \$80,000 Income

Maximum purchase price comparison

7%: \$217,946

2-1-0 Buydown: \$270,110

**OVER \$50,000 ADDITIONAL BUYING POWER!**

Assuming the buyer purchases the full \$270,110 + 2% fee + \$450/mo. taxes + \$67/mo. home insurance:

**1st year payment at 5%: \$1,996**

**2nd year payment at 6%: \$2,169**

**3rd year payment at 7%: \$2,350**

*Over 3 years payments only increase \$354*

### Definition of a 2-1-0 Buydown

A temporary 2-1-0 buydown is a mortgage option created about 15 years ago (during the oil crisis in the early 80's—doesn't that sound familiar) where a "stash" of "cash" is created either from contributions from a seller or premium pricing from the mortgage company. The "stash" is used to create a lower monthly payment in the first 2-3 years of the mortgage.

### Additional benefits of a 2-1-0 Buydown

- Buyer may qualify to purchase a larger or newer home today
- Buyer will be able to ease into their house payments
- Buyer qualifies with advantages of an ARM interest rate, yet has the stability of a great fixed rate for the life of the loan
- No recapture: Buyer may refinance or sell their home at any time—no restrictions
- Seller qualifies for a 2.5% tax deduction for funding the buydown

**Lenders and Real estate professionals can help more people become homeowners today!**

### Be on the lookout for Buydown candidates



- **Recent graduates or professionals in fields where their income will increase**
- **Good job stability with regular overtime, bonus, or commission pay**
- **Wedding Bells? Double income is helpful**
- **One spouse works full time and the other spouse will be getting employment in the future**
- **Debts to be paid off soon so additional cash will be available each month**
- **CLIENTS WHO ARE COMFORTABLE WITH THE SLIGHT PAYMENT ADJUSTMENTS**

The buydown is normally funded with a 2.5% concession from the seller. **It can not be funded with loan funds.**

#### DO NOT:

- Beat the seller down on the price and then ask for 2.5% for the buydown (not effective or realistic)
- Add the 2.5% concession to the list price (again, not effective or realistic)

Most listing presentations determine the list price and the RANGE of sales price the agent believes the home will sell. There is room for negotiation within this range to accommodate the 2.5% needed for the buydown. **NEVER ADD THE BUYDOWN TO THE LIST PRICE!**

### 2-1-0 Buydowns can be a huge benefit in assisting buyers to:

- **Purchase their first home today**
- **Ease into their housing payments**
- **Afford a newer home in better condition or a new construction home**
- **Afford a larger home with the extra bedroom, bathroom, garage, etc. that they need**
- **Purchase the home they want with affordable payments and a secure fixed interest rate**



## I-LOAN CERTIFICATES: ADD EXTRA PUNCH!



***I-Loan certificates  
may be added to  
Guaranteed loans.***

If a 2-1-0 Buydown is good, then adding a I-Loan certificate (formerly referred to as MCC certificates) makes it even better!

- IHDA approved lenders reserve the I-Loan certificate online at [www.ihda.org](http://www.ihda.org)
- Borrower will gain a 20% dollar for dollar tax credit based on mortgage interest paid.  
Example: \$100,000 loan at 7% = \$7,000 1st year interest x 20% = \$1,400 tax credit
- Borrower will consult with their HR representative to increase their withholdings so they will receive more net income each month
- By increasing their withholdings— tax liability may increase. The tax credit should offset any tax payments that may be due
- IHDA has their own income and purchase price limits as well as a recapture provision

**I-LOAN CERTIFICATES ALLOW MORE CASH IN THE BANK EACH PAYCHECK TO MEET MONTHLY OBLIGATIONS!**

***Rising interest rates will require more creative financing solutions.  
100% Guaranteed financing offers clients the BEST financing option!***

## ***What's the advantage of a "VantageScore"?***

To view a complete article log on: [www.blackamericaweb.com/site.aspx/finance/sing32006](http://www.blackamericaweb.com/site.aspx/finance/sing32006)



You may have heard that the three major credit bureaus have introduced a new scoring system they hope will someday replace the current FICO credit score. Equifax, Experian, and TransUnion recently unveiled what they are calling the "VantageScore", a system that will reportedly simplify credit-risk scoring that helps determine what interest rate consumers will pay.

Currently FICO scores range from a low of 300 to a high of 850. When a lender pulls a credit report each of the three credit bureaus will submit a score. For example if a client's scores were 685, 750, and 700 a lender will typically use the middle score of 700 to determine creditworthiness as well as what interest rate the client will most likely pay. The most common problem is clients may have scores that vary dramatically. It would not be uncommon to pull a credit report only to find the scores are 580, 780, and 680. Because three different bureaus are reporting you can be sure that different information is getting sent to each of them, thereby affecting the overall score.

The VantageScore system uses a scale that ranges from a low of 501 to a high of 990. TransUnion said the bureaus' version of three-digit score approximates the letter-grade system we're all familiar with from school. So a score of 901 to 990 would be the equivalent of an "A", 801-900 a "B", 701 to 800 a "C", 601 to 700 a "D", and 501-600 would be an "F".

The scores under the new system could STILL cause a Grand Canyon-like spread. Credit scores are generated using information in your credit files. Each file can have all the same information or vastly different data. One creditor may not report all your information to all three bureau's, or one of your files might be missing the maximum limit on your credit card, making it appear that you are overextended.

Rather than creating a new credit scoring system, the bureaus should focus on fixing a problem that troubles many consumers and consumer advocates. If any of your credit reports has incorrect information, is missing critical information, or if some data isn't even being reported, this can reduce your score no matter what the scoring formula.

Currently, the great majority of mortgage lenders continue to use FICO scores. Most automated underwriting systems are built to use FICO scores, and reconfiguring them will take time and money. Many mortgage industry participants including Rural Development, FHA, VA, Fannie Mae, and Freddie Mac, do not accept VantageScores at this time.

"There is no need for a new system" said Richard LeFebvre, president of AAA Credit, who has worked in the credit reporting industry for 15 years. "Depending on the creditor, your model is only as good as the underlying data."



Committed to the future of rural communities.

**2006 INCOME  
LIMITS DEBUT:  
4-26-2006**

## **ILLINOIS RURAL DEVELOPMENT CONTINUES TO LEAD THE NATION!**

As of April 24, 2006 Illinois has guaranteed over 1,440 loans!

This is the second consecutive year Illinois is leading the nation in Guaranteed loan production!

**THANK YOU** for all of your support in choosing Rural Development Guaranteed financing first!

Illinois can't be #1 without you!

**TOGETHER WE CAN SERVE MORE!**

